

**MINUTES OF THE
GOVERNMENT COMPETITION AND PRIVATIZATION SUBCOMMITTEE**

Wednesday, June 27, 2007 – 9:00 a.m. – Room W125 House Building

Members Present:

Sen. Howard A. Stephenson, Senate Chair
Rep. Craig A. Frank, House Chair
Sen. Brent H. Goodfellow
Sen. Wayne L. Niederhauser
Rep. Tim M. Cosgrove
Rep. Kevin S. Garn
Rep. Michael T. Morley
Rep. Mark W. Walker

Members Absent:

Rep. Carl W. Duckworth

Staff Present:

Mr. Leif G. Elder, Research Analyst
Ms. Patricia Owen, Associate General Counsel
Ms. Joy L. Miller, Legislative Secretary
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Subcommittee Business

Chair Stephenson called the meeting to order at 9:13 a.m. Rep. Duckworth was excused from the meeting. Members of the Subcommittee and staff introduced themselves.

2. Outline of Creation of the Subcommittee

Chair Stephenson explained that legislation was previously proposed to establish a task force to address the issue of government competition. Because it was decided to instead create a subcommittee of the Business and Labor Interim Committee and the Revenue and Taxation Interim Committee, he noted that the Legislative Management Committee approved the Subcommittee for up to six meetings. He explained that the Subcommittee is required to report to both interim committees. He then reviewed the work plan approved by the Legislative Management Committee.

Chair Stephenson introduced Mr. Randy Simmons, Professor, Utah State University. Mr. Simmons stated that Indiana Governor Mitch Daniels applies the "yellow pages test" to all public service, which is that if a service can be found that is advertised in the yellow pages, maybe the service should not be done by government. Mr. Simmons questioned why more in government do not use that test. He stated that because government enterprise operates outside of market pressures, the precise value citizens place on that enterprise is never learned. He explained that in the context of the market economy, comparative costs and relative prices continually provide guidance to market participants on the least-cost methods of production.

3. Background Related to Government Competition and Privatization

A. Privatization Policy Board Overview and Review of Previous Legislation

Ms. Owen distributed a copy of her presentation "Background on Privatization Policy Board and Related Legislative Activities." She discussed the history, structure, and activities of the Board (Privatization Policy Board); and legislation related to the Board, privatization or government competition in general, and other specific areas of statute.

Sen. Goodfellow, Chair, Board, discussed membership of the Board and introduced members of the Board in attendance. He noted that the Board encourages legislators to bring issues of concern. He stated

that over the years the Board has accomplished many things. He noted that printing and office supply services have been privatized. He indicated that there are a number of partnerships with private industry in place that work well. Later in the meeting he discussed the need for adequate staff.

Mr. Doug Richins, Director, Utah Division of Purchasing and Secretary, Board, presented "Privatization Promise & Practice." He discussed terminology, indicated that the trend is moving toward more privatization, and stated that Utah has approximately 6,000 outsourced contracts in areas such as accounting/auditing, advertising, claims adjusting, computer maintenance, computer consulting and programming, and construction. Mr. Richins explained that to obtain success in privatization and outsourcing it is important to focus on effective procurement and contract award processes and effective contract administration and monitoring.

Chair Stephenson emphasized that the input of the Board will be helpful to the Subcommittee.

B. Efforts in Other States

Mr. Elder distributed a copy of his presentation "Efforts in Other States." He first explained that there are numerous possibilities for defining the terms "privatization" and "government competition." Mr. Elder stated that the focus of his information was on states, although issues also arise on the federal and local level. He reported in-depth on surveys conducted by the National Conference of State Legislatures and the Council of State Governments. Finally, he discussed statutory programs in various states addressing privatization or government competition with the private sector.

The Subcommittee recessed for lunch at 11:40 a.m and reconvened at 12:30 p.m.

4. Discussion of Possible Public Policies Related to Government Competition and Privatization

Ms. Melva Sine, President and CEO, Utah Restaurant Association, distributed and discussed a packet of information. She explained that the Utah Restaurant Association is concerned with government competition with restaurants around the state. She stated that government supported facilities use taxpayer dollars to advertise for wedding receptions and other private functions. Ms. Sine suggested that government facilities should be used for the purpose in which they were built, and not for private functions.

Mr. Mont Evans, representing Utah Restaurant Association, supported Ms. Sine's comments.

Mr. Arie Van de Graaff, Research Analyst, and Mr. Adam Trupp, General Counsel, UAC (Utah Association of Counties), explained that UAC would prefer to see the current process with the Board continue because the Board handles issues on a case-by-case basis, rather than a "one solution fits all" approach. They highlighted UAC's willingness to work with the Subcommittee.

Mr. Roger Tew, Utah League of Cities and Towns, said the two main issues he believed needed to be discussed are first privatization and outsourcing, and second the proper role of government. Mr. Tew stated that it is important for the Subcommittee to recognize that each local government may have a different view of what services should be provided by the local government.

Mr. Mark Anderson, General Counsel, Utah Association of Special Districts, said that special districts operate with tight budgets and provide a service that is usually not otherwise available. He explained that efficiency is the key to their success, but that the lowest bidder is not always the best option. He expressed a desire to work with the Subcommittee to provide solutions to privatization issues.

5. Other Items / Adjourn

The Subcommittee discussed dates for future meetings and tentatively set the next three meetings for July 31, August 22, and September 6, 2007.

MOTION: Rep. Morley moved to adjourn the meeting. The motion passed unanimously.

Chair Stephenson adjourned the meeting at 2:07 p.m.